Secta. II-27—100,000—21-5-53.

Food (1954) Department.

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181

Dated 19.2.49

[Despatch Abstract.]

MISSION FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT : VISIST TO MADRAS ON 15th FEBRUARY 1949 : PAPERS : RECORDED.

GOVERNMENT OF MADRAS
Finance Department.

U.O. Note No. 2347-WM/4 dated the 1st February 1949.

Sub: MISSION FROM THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT - Visit to Madras.

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The Government of India have invited a Mission from the International Bank for Reconstruction and Development to visit India with the object of carrying out a survey of Indian conditions prior to their making an application to the Bank for a dollar loan. The Members of the Mission have already arrived in India and will be visisting Madras during the course of this month (February). Four or five members of the Mission are expected to arrive in Madras on the 15th February 1949, but the final tour programme of the Mission has not yet been settled. The subjects on which the Mission will require information from the Government of Madras or which the Government of India desire the Provincial Government to englighten them on, while the Mission is in Madras are given in the Annexure. The Departments of the Secretariat concerned are requested to prepare brief notes on the subjects with which they are concerned in duplicate and keep one copy with them ready, i.e. with the officers who will meet the Members of the Mission. The other copy of each of the notes may be sent to the Finance (Ways and Means) Department for consolidation and reference, if necessary. Any further information received from the Government of India regarding the visist of the Mission to Madras will be communicated to the Departments concerned in due course.

T.E. VEERARAGHAVACHAI
Additional Deputy Secretary to Government.

To Finance (Budget General).
To Finance (Ways and Means)
To Finance (Accounts-A)
To the Development Department.
To the Food Department.
To the Public Works Department
To the Public (Economics and Statistics) Department.

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ANNEXURE.

A. GENERAL FINANCIAL POSITION.

Subject. (1)	Department of Departments concerned (2)
(1) General Financial position of the Province of Madras. (2) Financial Relations with the Centre. (3) Sources of Taxation open to the Provincial Government.	Finance (Budget General) and Finance (Accounts-A)

B. INDUSTRIES.

(1) General position of industry in Madras - State of production and bottlenecks, if any. (2) Investment in industries.	Development Department.
(3) Capital Market generally. (4) Position of Foreign Capital.	Development and Public (Economics and Statistics) Departments.

(1)	(2)
C. AGRICULTURE.	
(1) General Food Position	Food Department.
(2) Provincial production and requirements.	Food, Development and Public Works Department (Irrigation).
(3) How Rationing is working.	Food Department.
(4) Price position.	Food and Development Departments.
(5) Schemes for increasing production.	Food, Development and Public Works Departmen (Irrigation).
D. LABOUR.	
(1) Relation between Capital and Labour.	Development Department.

GOVERNMENT OF MADRAS
Finance Department.

D.O. No. 2347-WM.2 Dated 28th January 1949.

My dear Roy,

Sub: MISSION FROM the International Bank for Reconstruction and development - Visit to Madras.
Ref: Your D.O. No. 100-DSS/49 dated the 10th January 1949.

I am to say that the following representatives of the Madras Government would be interested in meeting the members of the Mission from the International Bank for Reconstruction and Development:-

Hon'ble Ministers.

Hon.Sri B.Goapala Reddi.	Minister for Finance.
Hon. Sri H.Seetharama Reddy	Minister for Industries.
Hon. Sri M.Bakthavathsalam.	Minister for Public Works.
Hon. Sri K.Madhava Menon	Minister for Agriculture.

Officers of Government.

T.N.S. Raghavan, Esq., IC.S.	Finance Secretary.
K.G.Menon, Esq.,M.B.E.,I.C.S.	Development Secretary.
T.A.Verghese, Esq., I.C.S.	Public Works Secretary.
R.M.Sundaram,Esq., O.B.E.,I.C.S	Director of Agriculture.
Sri B.M.Lakshmipathi Mudaliar	Joint Director of Agriculture.
T.M.S.Mani,Esq.,O.B.E.,I.C.S.	Director of Industries and Commerce.
Rao Bahadur G.Sundaram,M.A., M.I.E.E.	Chief Engineer for Electricity.
Rao Bahadur A.R.Venkta Achayya, B.E., M.I.E.(Ind).	Chief Engineer for Irrigation.
Chief Engineer (Special) - Name not furnished as there is likely to be a change in the incumbency.	
V.S.Hejmadi, Esq., I.C.S.	Second Member, Board of Revenue.

The following Chambers and Associations may be addressed regarding the names of representatives of trade, commerce and industries who may be invited to meet the Mission.

(1) Madras Chamber of Commerce, Madras.
(2) South Indian Chamber of Commerce,Madras.
(3) Andhra Chamber of Commerce, Madras.
(4) Muslim Chamber of Commerce,Madras.
(5) Madras Trades Association,Madras.

Yours sincerely,
T.N.S.RAGHAVAN
Finance Secretary.

To Keith C.Roy, Esq., I.C.S.,
Deputy Secretary to the Government of India,
Ministry of Finance, NEW DELHI.

x→ Sri. P. Govindamenon — Joint Director of Industries & Commerce.

FINANCE DEPARTMENT.

Note for the Informal meeting of Ministers to be held on at 4 P.M. on the 14th February 1949.

Sub: VISIST of the International Bank Mission - Subjects for discussion .

The Government of India have indicated that the International Bank Mission might require information on the following subjects:

Statement.

A. General financial position.

(1) General financial position of the Province of Madras.
(2) Financial relations with the Centre
(3) Sources of taxation open to the Provincial Government.

B. Industries.

(1) General position of Industry in Madras - State of production, and bottle-necks, if any.
(2) Investment in industries.
(3) Capital market generally.
(4) Position of foreign capital.

C. Agriculture.

(1) General Food position.
(2) Provincial Production and requirement.
(3) How rationing is working.
(4) Price position.
(5) Schemes for increasing production.

D. Labour.

Relation between capital and labour.

It is understood that the departments of the Secretariat concerned have circulated the notes prepared by them on the subjects in groups "B" and "C" to the Hon'ble Ministers in charge of the respective subjects. A conference of the Secretaries concerned and the Chief Secretary was also held at 3 p.m. on the 12th instant, and the following note is based on the several departmental notes and the conclusions reached at the conference of Secretaries.

General financial position of the Province:

Figures are given below showing the Revenue and Expenditure for the ten years 1938-39 to 1947-48:

Year. (1)		Revenue. (2) Rs.crores	Expenditure charged to Revenue. (3) Rs. crores	Surplus (+) or deficit (-) (4) Rs.crores.
1938-39	)	16.13	16.10	+ .03
1939-40	)	16.66	16.37	+ .29
1940-41	)	18.07	16.96	+ 1.11
1941-42	)	19.55	18.67	+ .88
1942-43	) Accoun-	21.92	20.67	+ 1.25
1943-44	) ts.	29.84	29.13	+ .71
1944-45	)	41.24	28.87	+12.37
1945-46	)	47.99	30-68	+17.31
1946-47	)	51-98	56.99	- 5.01
1947-48	)	50-71	45.58	+ 5.13
1948-49	R.E.	53.38	57.04	- 3.66

The Revenue has more than trebled during the ten year period, due partly to the large increase in prices and expansion of business activities as a result of the war, and partly

activities as a result of war, and partly to the enhancement of the rates of Stamp duty, registration fees and general salestax in 1943. There has been a corresponding increase on the expenditure side also on account of additional staff in various departments, increase in pay and allowances and the increased cost of works. A Revenue Reserve Fund has been built up from the surplus in most of the years and the balance in the Fund at the end of 1947-48 was Rs. 32.44 crores. The heavy deficit in 1946-47 was due to large expenditure on food subsidies (Rs.5.76 crores) and the loss of revenue due to the introduction of "Prohibition" (of all alcoholic liquors) in eight districts (Rs.2.90 crores). With effect from 1-1-1948 the rate of general sales tax has been further increased from 1 per cent to 3 pies in the rupees to make up for the loss of Excise revenue. But even so, a large deficit (Rs.5.06 crores) was anticipated in the current year's budget. Receipts have, however, been larger than anticipated and this coupled with certain measures of retrenchment in respect of staff, contingencies and works will, it is expected considerably reduce the deficit. The budget for 1949-50 would also be a deficit one on the basis of the existing level of taxation but it is proposed to levy a number of additional taxes which, it is hoped, will wipe off the deficit and convert the budget into a surplus one.

The assets and liabilities of the Provincial Government as on 31st March 1949 are indicated below:-

Liabilities.		Rs. crores.
LOANS:		
Due to Central Government.	12.34	
Open market loans.	15.50	
Special redeemable loans.	.03	27.87
OTHER LIABILITIES:		
State Provident Funds, Depreciation, Reserve Funds, Sinking Funds, etc.		63.71
Total - Liabilities. ..		91.58

Assets.		
Assets producing revenue:		
Irrigation works.	24.45	
Electricity schemes.	19.73	
Other items.	19.62	63.80
Other Assets:		
Buildings, Securities in the Sinking Fund, Depreciation Reserve Funds, Revenue Reserve Fund and Cash Balance Investment Account.		45.87
Total assets. ..		109.67
Excess of assets over liabilities.		18.09

It will be seen from the above that there is a large excess of assets over liabilities and the loans outstanding are less than half the revenue producing assets. The fincial position of the Province is quite sound.

A rough programme of capital expenditure of the province for the five years 1948-49 to 1952-53 framed last year is given below:

	1948-49	1949-50	1950-51	1951-52	1952-3
		(Rupees Crores).			
Irrigation works	2.57	4.00	7.27	6.30	3.25
Electricity schemes	6.02	6.01	7.08	4.65	3.15
Other capital expenditure	1.60	1.08	1.10	1.22	.89
Loans for housing schemes	.80	1.00	1.00	1.00	1.00
Other loans (to agriculturists, local bodies, etc)	2.00	2.00	2.00	2.00	2.00
Compensation on account of abolition of Zamindaries.	..	..	1.00	2.00	2.00
	12.99	14.09	19.45	17.17	12.29

Note:The above does not include investment in new industries most of which will be private agencies.

The estimate does not include the requirements of big projects such as the Ramapadsagar project estimated to cost Rs. 129 crores and the Krishna-Pennar project estimated to cost Rs.78 crores. The programme of execution of the former is spread over 8 years for dam construction and 12 years for the canal system. Full development of the project is expected only by the 17th year after completion. The latter project is under preliminary investigation. There is also a big scheme estimated to cost Rs. 19 crores for increasing the capacity of minor irrigation tanks, etc., spread over a period of 8 years.

The loans that this Government can raise in the open market together with such loans as the Central Government might give to finance Post War Development Schemes, may not be sufficient even for the normal capital expenditure as indicated in the above statement. Loans from outside sources such as the International Bank will be necessary if the big projects referred to are to be undertaken.

Financial relations with the Centre and sources of taxation open to the Provincial Government.

The existing allocation of sources of revenue between the Centre and Provinces is based on the Government of India Act, 1935. The main sources of revenue open to Provincial Governments are Land Revenue, Stamp duties, Forest revenue, Registration fees, Receipts from Motor Vehicles Taxation Acts, General Salestax and Receipts from Electiricty Schemes. The Government of India Act, 1935, also provides for allocation to Provinees in whole or in part of the income from the following sources:-

Section 138 of the Government of India Act, 1935 and the Government of India (Distribution of Revenues) Order 1936.	(a) Incometax- (excluding Corporation Tax)	(allocation of a part of the income)
	(b) Excise duties and Export duties.	(allocation in whole or in part)
	(c) Duties in respect of succession to property other than Agricultural land, certain Stamp duties, Terminal Taxes on goods or passengers carried by railway and taxes on railway fares and freights.	(allocation in whole).

Except in regard to Income-tax, the Government of India have not so far assigned to the Provinces a share of the revenue from the above sources. In regard to income-tax, the Government of India (Distribution of Revenues) Order, 1936, laid down the basis of distribution of a share of the net proceeds to Provinces. 50 per cent of the net proceeds from income-tax (excluding certain items) is distributed to Provinces, and this Province now gets 18 per cent of the pool set apart for allocation to Provinces. The share of incometax has been as follows:-

Accounts.		Rs. crores.
	1945-46	4.31
	1946-47	4.48
	1947-48	5.35
	1948-49 (Revised Estimate)	8.42*
	1949-50 (Budget Estimate)	7.89

*Includes the amount relating to pre-partition period 1947-48 (1-4-1947 to 14-8-1947).

A share of the net proceeds of Export Duties on jute and jute products is allocated to Bengal, Bihar, Assam and Orissa, but no other Province has been given a share of Export Duties on any article. The Central Government have under consideration legislation for levy of Succession Duties on properties other than Agricultural Land. This Province may get a share of the net proceeds of these duties after the legislation has been introduced, but the

amount involved is not likely to be appreciable. The Government of India are also paying this Government a fixed sum of Rs. 22 lakhs per annum as compensation for the suspension of Provincial Tax on wholesale trade in tobacco.

The only assistance that the Government of India are giving, besides the share of Incometax and compensation for suspension of tobacco taxation, is in the form of block grants towards expenditure on Development and Grow More Food schemes. The grants paid and promised are:-

		Rs. crores.
1946-47	..	2.30
1947-48		2.80
1948-49		3.25
1949-50		5.00

The sources of taxation open to Provincial Governments mentioned on page 4 above with the possible exception of the General Sales Tax are inelastic. As already stated on page 2 above, stamp duties and registration fees were increased in 1943 and registration fees were again increased in 1947. The general salestax was enhanced in 1943 and again in 1948. It may not be possible to increase the rates of these duties and taxes directly in the near future, but certain proposals for tapping new sources of revenues are under consideration and if the necessity should arise it may be possible to increase revenues to something like Rs. 60 crores (Existing revenue about Rs. 50 crores).

B. INDUSTRIES.

General position of industry in Madras - State of Production and bottle-necks, if any.

The following industries are fairly well established in this Province:-

(a) Textiles (b) Sugar, (c) Cement (4) Soaps and (3) Vanaspathy.

The province is not, however, self-sufficient in these goods The main bottle-necks are capital and capital goods. Apart from the fact that capital is somewhat shy at present, there has been considerably difficulty in getting iron and steel, cement and certain other controlled articles. In addition, there is abnormal delay in delivery of machinery by foreign manufacturers and prices are very high.

A brief account is given below of the position in regard to the several industries and the amount of additional capital required in respect of each.

TEXTILES: The total number of spindles working in the province is 13,11,125. The quantities of cloth and yarn produced are estimated at 67,500 bales and 87,200 bales respectively. It is proposed to establish 24 new spinning mills with about 3½ lakhs spindles and the resulting increase in production is esimated at 6,000 bales of yarn in 1949 and 1,45,000 bales in 1950. Some of the spinning mills proposed contemplate the erection of weaving sections to increase the sweaving capacity in the province. The additional capital required is Rs. 9 crores for capital goods such as machinery etc., and about Rs. 4 crores for other expenditure spread over 5 years.

SUGAR: There are 13 sugar facotires in this province and the production is 52,000 tons per annum. This is not sufficient even to meet 50 per cent of the demand. It is proposed to expand existing factories and to start nine new facotires in order to increase production by 80,000 to 96,000 tons a year. By the next crushing season, the production is expected to increase to 70,000 tons. The programme will require capital goods to the value of Rs. 6½ crores and the other expenditure involved will be about Rs. 3 crores spread over 5 years.

CEMENT: The existing factories produce 3,79,200 tons of cement annually. It is proposed to expand existing factories and to start 3 new facbbfies with a total capacity of 3,00,000 tons a year. The requirements are Rs. 7 crores for capital goods and about Rs. 3 crores for other expenditure spread over 5 years.

VANASPATHY: There are now two factories producing about 6,000 tons per annum. It is proposed to start 10 more facotires to produce about 45,000 tons a year. Of these one will be run by the Government. All these factories have made arrangements for the capital and installed the machinery required.

This province has not so far embarked on heavy industries such as Iron and Steel, Aluminium, etc., nor on the production of heavey chemicals on a large scale.

CAUSTIC SODA, SODA ASH AND OTHER HEAVY CHEMICALS: It is proposed to set up new units for the production of caustic soda and soda ash. Sanction for issues of capital has been given to 3 companies with a total capacity of 10,500 tons of caustic soda per annum and to 3 other companies for producing 1,05,000 tons of soda ash. The capital requirements are Rs.14 crores for machinery etc and Rs. 7 crores for other expenditure spread over 5 years.

IRON AND STELL: The reserves of iron ore in this province are estimated at 437 million tons. This ore (haematite) is in the from of hillocks with about 65 per cent iron content. The Government of India have proposals for starting a steel factory in South India. The main drawback in this province is the long haul for coal, but it is proposed to try to utilise the known but unexploited Godavari coal fields. It is also proposed to utilise the lignite in South Arcot district. The additional capital required is Rs. 4.5 crores for capital goods and Rs. 2 crores for other expenditure spread over 5 years.

Proposals are also under consideration for developing d eep-sea fishing on a large scale with trawlers, refrigerators and canning. The additional capital required for this is about Rs. 3½ crores. This will not only provide a new industry, but will go a long way to meet the food deficit.

The Madras Government have been examining, in consultation with the Government of India, the question of producing Aluminium and the detailed analysis of the bauxite deposits in Salem is to be undertaken for the purpose. A Pilot Plant for magensium in this province is also contemplated. The Government of India have also been asked to set up an Ammonium phosphate factory in South India as a joint endeavour of the two Governments.

The capital requirements for the expansion of existing industries and the starting of new industries in this province over a five year period are summarised below:-

	Capital goods Rs. crores.	Other expenditure. Rs. crores.
Textiles. ..	9	4
Sugar ..	6½	3
Cement ..	7	3½
Vannaspathi ..	3½	1½
Caustic soda- soda ash and heavy chemicals. ..	14	7
Iron and steel. ..	4½	2
Paper ..	5	2½
Aluminium. ..	2	1
Plastics and miscelleanoues.	10	5
Deep sea fishing. ..	2½	1
6.	64	30½

The sum of Rs. 64 crores for machinery etc., may be regarded as the dollar requirements for the develqment of industries in the province and though most of the indstries will be started by private agency the Gvernment will have to provide the necessary dollar facilities

to make it possible for imports to be made on the scale contemplated.

INVESTMENT IN INDUSTRIES, CAPITAL MARKET AND POSITION OF FOREIG CAPITAL: To supplement the aid now given to industries under the State Aid to Industries Act, it is proposed to set up an Industrial Finance Corporation and an Industrial Investment Corporation. But it is probable that even these will not completely solve the problem of capital for new industries or for the expansion of existing industries. The money market has been "tight" for various reasons. Unless the present conditions improve and capital is raised both inside the country and from foreign sources, it will be difficult to carry out industralisation in any large scale. An estimate of the capital invested in existing industries is as follows:-

	Original capital Rs. crores.	Present market value. Rs. crores.
Capital invested in organised industries (joint stock companies and private companies)	33	90

Of this, the original investment of foreign capital may be estimated at Rs. 10 crores. The foreign capital has been invested mainly in Sugar, Textiles and Chemicals and in Plantations.

C. AGRICULTURE.

General food position, Provincial production and requirements and schemes for increasing production.

The production of rice in this province in a normal season is 480 million tons and of millets 2.6 million tons. This is not adequate to meet the needs of the province. The normal deficit, taking both rice and millets, is estimated at 0.5 million tons. During the war years, 0.32 million tons of foodgrains were imported on the average per year. Owing to the failure of the monsoons, the deficit increased to 1 million tons last year and it is expected to be of the order of 75 million tons this year. Rationing has been re-introduced, and steps are being taken to intensify local procurement. Thesemeasures and the imports expected through the Government of India will, it is hoped, enable this province to tide over the present difficulties. Various schemes for increasing the production of foodgrains in this province have been introduced and more are under consideration. The main schemes are --

(a) Irrigation schemes (including schemes for digging of boring wells, and expansion of the capacity of minor irrigation tanks), (b) schemes for the supply of manure, improved seeds, etc., (c) schemes for reclamation of waste land by the use of mechanical cultivation such as tractors, (d) schemes for soil and water conservation by contour bunding, and (e) control of pests and diseases.

Small irrigation schemes which are expected to yield results within five years will add roughly about 2 lakhs tons of foodgrains per annum. The increase in production on account of supply of manure and seeds is not expected to be appreciable, owning to difficulty in getting good manure. There is a scheme for bringing 4 lakhs of acres under cultivation in the districts of Nellore, Anantapur, Ramnad and Tinnevelly and the additional production will be 1 lakh tons. These together with some imports will enable the province to meet the deficit during the next five years. The Tungabhadra and Lower Bhavani Irrigation projects which are now under execution will, after full development, bring large areas under cultivation, and will make this provinee self-sufficient in regard to its food requirements on the basis of its present population. Population will, however, increase steadily. But this province has two major projects, namely, the Ramapadasagar and Krishna-Pennar project under consideration and these, when executed will not only solve the food problem of this province, but also help the Central Government to meet the overall food deficit in the country as a whole.

The capital requirements of Irrigation and Electricity projects and of the Highway schemes are indicated below:-

Irrigation.	Capital goods	Other expenditure.	Total capital required.
		(Rupees - Crores)	
Short term projects	-.	50	50
Electricity	10	10	20
Land reclamation	2	5	7
Highways	..	10	10
	12	75	87
		(spread over 5 years).	
Long term projects (Rampadasagar and Krishna-Pennar)	11	196	207

HOW RATIONING IS WORKING: There was province-wide rationing in this Province till the end of 1947. Due to the policy of gradual decontrol adopted in December 1947, statutory rationing was removed in most of the twowns and was continued only in 18 towns including Madras City and its suburban areas. Information rationing was also removed in all districts, except the Nilgiris and Malabar, but a system of relief shops in areas where there was need for relief was intorudced. In accordance with the revised policy of the Government to re-impose controls mainly with a view to checking inflation, statutory rationing has been re-introduced in 48 towns including the 18 towns were it has been continuing. The question of introducing rationing in other towns is under the consideration of the Government. Information rationing has been ~~re-introduced~~ re-introduced in all the remaining deficit districts. There is not much difference between statutory rationing and ~~information~~ informal rationing, ~~and informatio~~ except that informal rationing is more flexible and is less-hide bound.

In the statutory rationed areas, Rationing Officers have been appointed to look after rationing. The District Supply Officers, Taluk Supply Officers, the Firka Supply Officers are in charge of informal rationing in the districts.

Distribution is carried on by selected wholesalers and retailers for each rationed area. Card-holders have been classified as rice eaters, millet eaters and miexed diet easters in order to give them the kind of cereal to which they are normally accustomed and also to ease the pressure on rice as the major portion of the allotments to this Province are in the shape of wheat and wheat products, maixe and milo. The scale of ration per adult per day was 16 ozs. till February 1946. ~~The~~ This has now been reduced to 10 ozs. The size and composition of the ration is subject to variation from time to time with reference to stocks of foodgrains available in the Province. Very high authorities have paid a tribute to the efficiency with which rationing has been administered in this Province.

PRICE POSITION: Prices in this province generally took an upward turn soon after the outbreak of World War II. There was a gradual increase in prices during the period 1940 to June 1942 and this was followed by a stepp rise in wholesale prices during the period July 1942 to June 1943; the rise in cost of living being, however, less marked. A generally slow downward trend in wholesale prices was in evidence from July 1943 to June 1945, the cost of living ~~in~~ continuing to rise. The index for foodgrains rose gently from July 1945 to December 1947 and sharply thereafter, while there was a sharp rise in the index of wholesale prices of commercial products from July 1945 to end of December 1948. The increase in cost of living index was gradual from January 1945 to the end of 1946 and more pronounced subsequently.

The steep rise in prices from July 1942 to 1943 was due largely to hoarding and speculative buying on the part of traders. This necessitated the introduction of controls in respect of foodgrains and certain other commodities which had a sobering effect on the price level upto June 1945. The prices of paddy and millets have always been fixed, taking account of the increase in the cost of their production and the prices of commodities other than rice and millets. The prices have generally been fair both to the producer and to the consumer. The de-control of foodgrains and other commoities and abolition of rationing of foodgrains in 1947 resulsted in increase in prices again. Intensive procurement, rationing and price control in respect of foodgrains were re-introduced in the last quarter of 1948, and it is hoped that it will be possible to stabilise prices of foodgmins hereafter.

The indices of wholesale prices of foodgrains and commercial crops during the week ending 22nd January 1949 are given below:

Foodgrains.	..	..	385
Commercial products.		..	471

D. CAPITAL AND LABOUR.

During the war period, various restrictions were imposed on labour as an emergency measure. With the advent of popular Governments at the Centre and in the Provinces these restrictions were removed, and it was perhaps natural that this sudden freedom following the accumulated sense of grievance during the war years should have found expression in a considerable increase in the number of strikes throughout the country. The man-hours lost on account of the strikes in the post-war period were ten times as large as the highest in any pre-war year, and about four to five times the number in 1945. The resultant loss of production tends to increase prices and thus affects not only capital but also labour and the general body of consumers.

Strikes and other forms of labour disputes are settled by the officers of the Labour Department and other representatives of the Government. When efforts atamicable settlement fail, the disputes are referred to adjudication. The awards of the adjudicating tribunal are made binding on both the parties for specific periods - generally for one year.

The Madras Government have constituted works committees and unit production committees for certain industries in order to help the smooth running of industries. A Provincial Labour Advisory Board has also been constituted on which representation is given both to Capital and Labour. Periodical meetings of the Board are held to discuss matters relating to Labour and Capital.

There is a distinct improvement in the labour situation at present and things have almost returned to normal. It may be expected that there will be no appreciable loss of production due to labour unrest in the immediate future.

GENERAL: It may be observed that the raising of a dollar loan is only one of the measures which the Government of India have in view for the rehabilitation of the country and raising the standard of living of its people - the other measures being the encouragement of investments all round, control over imports, increasing food production so as to conserve available foreign exchange resources for import of capital goods, etc., There is no reason to suppose that there will be any loan by the International Bank to provinces directly or even that any loan which the Government of India may raise will be parcelled out among provinces The position is merely that all the development schemes of the Centre and the Provinces will be taken as a whole and that any loan which may be granted to India by the International Bank will be used as a means of facilitating the import of capital goods which the Programme as a whole may involve from the dollar countries. The loan will be given in the form of goods and not in the form of currency which may be used for any purpose by the

Government of India. The information which may be given by this Government to the Mission, must, therefore, be designed to impress on it the credit-worthiness of India in general and this Province in particular and to give it some idea of the extent to which machinery and other capital goods will have to be imported from the United States of America to put through the development schemes of this porince during say the next five years or so.

T.N.S. RAGHAVAN
13.2.1949
Secretary to Government,
Finance Department.

FOOD DEPARTMENT.

Note on the General Food Situation in Madras Province.
(Item (1) and (2) under C - Agriculture).

The production of rice in this Province in a normal season is estimated at 4,867,000 tons and of millets at 2,651,320 tons. The normal requirements of the Province based upon the 5 years average for the pe iod ending 1941-42 are estimated at 4,962,000 tons of rice and 2,860,000 tons of millets. Thus the shortage of rice is 95,000 tons and of millets 208,680 tons. But the actual imports into the Province even in prewar years amounted to about 414,000 tons of rice and 10,000 tons of millets per annum on an average during the 5 years ending 1940 in addition to 66,000 tons of wheat and wheat products. As against this normal deficit the quantities of foodgrains imported during the 5 years after the Government of India intorudced the Basic Plan are given below in round figures:

Year	Rice	Millets	Wheat and wheaf products	Total.
1943-44	..	25,000	48,000	73,000
1944-45	17,000	29,000	100,000	146,000
1945-46	269,000	121,000	214,000	604,000
1946-47	141,000	45,000	65,000	251,000
1947-48	260,569	203,497	52,448	516,514
Total.	687,569	423,497	479,448	1,590,514
Average	171,892	84,699	95,889	318,103

It will be observed from the above that the total quantity of foodgrains imported varied from year to year, the five year average being 318,103 tons. The deficit was met partly by intensive procurement, which brought out practically all the carry over with the ryots and partly by the controlled distribution to the rationed population at fixed scales which must have to some extent restricted consumption.

2. Besides being deficit in cereals as mentioned above, the Province depended upon imports to meet one half of its total requirements of pulses of 500,000 tons approximately. The food position for the current year is as follows:-

The moonsoons were a failure in several districts this year. The South West Monsoon was below normal in 14 districts and the North East in 12 districts and both the South West and North East were below normal in 8 districts and our production was, therefore, less than the normal though on the whole it might be slightly better than in the previous year 1947-48. According to the 1st forecast report our production of rice this year was been estimated at 4,397,000 tons which is about 6 lakhs tons less than the normal production of 4.9 million tons. Production of millets is estimated at 2,318,600 tons which is less by 4 lakhs of tons than the normal production of millets. Thus as compared with normal the total shortage in production of foodgrains this year works out to about 10 lakhs of tons. It was originally estimated that the total quantitites of rice and millets that may be procured during the Kharif year 1948-49 will be about 14 lakhs of tons, and at this rate the quantity than can be procured between 1-1-1949 and 31-10-1949 will not exceed 12½ lakhs of tons. The requirements of non-producers and partial producers at the rate of 12 ozs. per adult per day was estimated at 2,268,000 tons for this period. Taking the expected procurement of 12½ lakhs of tons the quantity required by way of imports from the Government of India was estimated at 10 lakhs of tons. This deficit is much more than the normal, as there was partial failure of both the monssons this year. The Government of India were addressed to supply this 10 lakhs of tons for the Kharif year commencing from 1-11-1948. Subsequently, at the Conference held at New Delhi on 1-2-1949 the food position in the Province was fully explained to the Government of India.

The Government of India, however, stated that in view of the difficulties of procuring goodgrains from overseas and the dollar exchange they will not be in a position to supply more than 4 lakhs of tons of foodgrains to this Province.

We are, however, sending a protest against this reduced allocation.

3. In pursuance of the decision of the Government of India to re-impose food controls, steps have been taken for the re-introduction of intneisve procurement throughout the Province and the procurement is going on in full swing. Against the procurement target of 1,581,100 tons of rice fixed for the Kharif year 1948-49 343,526 tons of rice have been procured from 1-11-1948 to 29-1-1949. As regards millets, 4,098 tonsh have been procured during this period against the target of 168,850 tons fixed for the Kharif year.

The present stock position of foodgrains as on 29th January 1949 is as follows:-

Rice.	250999	tons.
Wheat.	11366	tons
Maida	4505	tons
Maize	1951	tons
Other grains	23726	tons
Total.	292547	tons.

Issues for the week ending 29-1-1949 are as follows:-

Rice	23807	tons
Wheat & its products.	1479	tons
Maize	278	tons
Other grains	2189	tons
Total.	27753	tons.

The present stocks are therefore expected to last for about 10 weeks. In the meantime further local procurement and imports from outside will place more stocks at the disposal of the Government.

M.A. KUTTALALINGAM PILLAI
Secretary to Government.

FOOD DEPARTMENT.

HOW RATIONING IS WORKING.

There was province-wide rationing in this Province till the end of 1947. Due to the policy of gradual decontrol adopted in December 1947 statutory rationing was removed in most of the towns and was continued only in 18 towns including Madras City and its suburban areas. Informal rationing was also removed in all districts except the Nilgiris and Malabar but a system of relief shops in areas where there was need for relief was introduced. In accordance with the revised policy of the Government to re-impose controls mainly with a view to check inflation, statutory rationing has been re-introduced in 48 towns including those 18 towns where it continued to be in force. The question of introducing rationing in other towns is under consideration of Government. Informal rationing has been re-introduced in all the remaining deficit districts. There is not much difference between statutory rationing and informal rationing except that the informal rationing is more flexible and is less hide bound.

Staff: There is a separate Food Department functioning in the Secretariat from June 1946 with the necessary staff. The Commissioner of Civil Supplies who is a member of the Board of Revenue is the head of the Civil Supplies Department in the Province. The Provincial Controller of Food Rationing who isworking under the Commissioner of Civil Supplies, assisted by two Deputy Controllers, in in charge of rationing of foodgrains in the Province. In the statutory rationed areas Rationing Officers have been appointed to look after rationing. The District Supply Officers, Taluk Supply Officers and Firka Supply Officers are in charge of informal rationing in the districts.

Distribution: Distribution is carried on by selected wholesalers and retailers for each rationed area. Cardholders have been ~~allot~~ classified as rice eaters, millet easters and mixed diet eaters in order to give them the kind of cereal to which they are normally accustomed to eat and also to ease the pressure on rice as the major portion of the allotments to this Province are in the shape of wheat and wheat products, maize and milo. The scale of ration per adult per day was 16 ozs. ~~per adul~~ till February 1946, from which date it was reduced to 12 ozs. per adult per day due to difficult food position in the Province. This scale of 12 ozs. was also reduced further to 10 ozs. per adult per day due to further deterioration in the good position in May 1947. This scale was further reduced to 8 ozs. at the end of February 1948 and was restored to 10 ozs. again by the beginning of April 1948. The present scale of ration continues to be 10 ozs. per adult per day. The size and composition of the ration is subject to variation from time to time with reference to stocks of foodgrains available in the Province.

M.A. KUTTALALINGAM PILLAI
Secretary to Government.

NOTE ON THE PRICE POSITION.

The prices of foodgrains fixed for this year are as follows:-

Village site price of paddy ranges from --
Rs.8/5/- to Rs. 9/10/9 for I sort and Rs.7/14/3 to Rs.9/2/9 for II Sort.

Wholesale price of paddy ranges from -
Rs.9/4/- to Rs.10/11/3 for Lst sort and Rs.8/13/- to Rs.10/3/3 for II sort.

Village site price of various millets ranges from Rs.4/3/9 to Rs.8/15/

Wholesale price of various millets ranges from Rs.5/0/3 to Rs.10/0/9.

NOTE: The variation in the prices in the different districts is based on the prices prevailing in the year 1939 and on the increase in the cost of cultivation and in the cost of living index. The above prices are 50 per cent higher than the prices prevailing in November 1947.

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NOTE BY THE PUBLIC (ECONOMICS AND STATISTICS) DEPARTMENT.

Prices of commodities in this Province generally took an upward turn soon after the out-break of World War II. A gently rising trend was first in evidence during the period April 1940 to June 1942 and this was followed by a steep rise in prices, due largely to hoarding and speculative buying on the part of traders. The sharp rise in the prices of foodgrains during this period led to the institution of control.

Even since the prices of foodgrains began to be controlled, the prices of paddy and rice have been fixed year after year taking into account the increase in the cost of production of paddy in the main producing districts on the one hand and the prices of essential commodities other than rice on the other. The prices of millets are also fixed year after year at the same time with reference generally to the pre-war parity between the prices of paddy and millets in the various districts. The prices are so fixed as to be fair both to producers and consumers.

A chart is enclosed showing the variations in the quarterly averages of the cost of living index for Madras City and the indices of wholesale prices of foodgrains, commercial products and all commodities for the period April 1940 to December 1948. A very high degree of correlation in the trend of the indices is discernible in the chart, though the fluctuations in the cost of living index have on the whole been more marked than in the other indices. The more subdued rise in the cost of living inxed is due to certain elements making for stability in the index, namely, house-rent and certain items in the miscellaneous group, apart from foodgrains, which contribute a very high weightage and the prices of which have been controlled.

A persual of the chart reveals the following features regarding the trend of wholesale prices and the cost of living index:

1. A gently rising trend from April 1940 to June 1942.

2. A steep rise in the wholesale prices and a less marked rise in the cost of living from July 1942 to June 1943.

3. A generally slow downward trend in the wholesale prices from July 1943 to June 1945, the cost of living index continuing to rise in the interval.

4. A sharp rise in the index of the wholesale prices of commercial products right up to the end of December 1948 subject to minor fluctuations, the index for foodgrains rising only very gently during interval July 1945 to December 1947 and rising sharply thereafter and the rise in the cost of living index having been gradual up to about the end of 1946 and more pronounced subsequently.

As already stated, the rise in the prices of foodgrains during the second phase resulted in the institution of controls which had a sobering effect on the price level up to about end of June 1945. The subsequent rise in the prices of foodgrains can be attributed partly to the upward revision of controlled prices due to rise in the ~~prices of foodgrains~~ cost of production and the cost of living of the producers and partly to decontrol about the end of 1947. The prices of commercial products, which remained uncontrolled have soared to very high levels. In the case of foodgrains, intensive procurement, rationing and price control have since been re-imposed from about the last quarter of 1948.

A statement (Appendix I) is enclosed showing the indices of wholesale prices for the foodgrains and commercial products groups and of selected commodities under each group for the latest week. Another statement (Appendix II) gives the cost of living indices complied for nine urban centres in this Province for the latest month (December 1948).

Cost of living indices for other cities in India.

A graph has been drawn to show the variations in the cost of living indices for eight important urban centres in India, namely, Bombay, Ahmedabad, Sholapur, Jalagaon, Kanpur, Nagpur, Jabbulpore and Madras during the period e August 1946 to August 1948. The indices have been reduced to a common base, i.e. August 1939, for purposes of comparison. It will be seen from the graph that the indices have more or less followed the same course throughout the period. The index for August 1948, the latest month for which indices are available for all the centres is highest for Kanpur 534, followed by Jalgaon 434, Sholapur 419, Jubbalpore 396, Nagpur 380, Ahmedabad 344, Madras 321 and Bombay 306.

M.A. KUTTALAINGAM PILLAI
Secretary to Government.
Food Department.

Statement showing the index number of wholesale prices of Foodgrains and Commercial Products and certain select commodities under each group for the week ended 22.1.1949.

	Index Number.		Index Number.
Foodgrains.	385	Commercial Products	471
Paddy II Sort	373	Chillies	486
Rice II Sort	381	Cane-jaggery	173
Cholam	428	Groundnut(machine shelled)	553
Cumbu	355	Gingelly oil	513
Ragi	365	Cotton lint	396
		Tanned sheep skins	441.

STATEMENT SHOWING THE COST OF LIVING INDEX NUMBERS FOR WORKING CLASSES IN MADRAS CITY AND FOR LOW PAID EMPLOYEES FOR THE EIGHT MUFASSAL CENTRES FOR THE MONTH OF DECEMBER 1948.

(Average price from July 1935 to June 1936 - 100).

Centre.	Food	Fuel and lighting	Clothing	Housing	Misdellaneous	Cost of living Index No.
Madras City	363.1	310.3	379.2	172.4	286.0	322.1
Visagapatam	389.5	303.3	442.3	245.47	280.6	357.9
Ellore	405.0	304.3	413.4	250.3	428.9	392.2
Bellary	408.8	455.6	386.9	170.9	349.6	383.0
Cuddalore	394.0	282.8	448.8	185.47	411.6	376.4
Trichinopoly	406.46	321.2	608.3	175.3	335.3	380.3
Madura	398.2	295.6	477.3	191.46	301.1	353.4
Madu Coimbatore	380.8	324.6	466.0	234.2	228.0	254.6
Calicut	472.1	324.3	395.9	211.7	281.9	408.9

	Amount spent	No. of wells subsidized.	No. of wells completed.	Extent brought under ~~cultivation~~ irrigation	Additional quantity of foodgrains produced.
2. WELL SUBSIDY SCHEMES:					
(1) Old (1944) Scheme	1,03,212	594	293	271 acres	174 tons
(2) Accelerated scheme	2,32,88,248	61,599	45,261	90,007	41,678 "
(3) Ceded districts modified scheme	10,97,477	1,959	495	1,335	629 "
(4) New well subsidy scheme 1947-48	1,65,71,484	46,506	12,217	9,334	3,134 "
(5) New well subidisy scheme	96,05,826	79,297	272	194 "	4 "
T o t a l.	Rs. 5,06,66,247	189,955	58,538	101,141 "	45,619 "

NOTES: It is hoped that Rs.150 lakhs will have been spent by the end of March 1949 under the 1948-49 scheme. It is expected that the scheme will be renewed for 1949-50; but it ~~cannot~~ cannot yet be stated what target will be fixed for the number of wells or the additional area brought under irrigation.

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2. PRODUCTION AND REQUIREMENTS OF FOODGRAINS IN THE MADRAS PROVINCE.

The Madras Province is normally deficit in respect of foodgrains. As the production of foodgrains in the Province was generally insufficient to meet its requirements considerable quanitities of rice were being imported from Buma, Siam and Indo-China during the pre-war years. The statement appended shows the production of rice and millets in the Madras Province (in terms of cleaned grain), the estimated requirements and the estimated surplus or deficit during the last five years and for the current year (1948-49). The requirements of foodgrains for the Province have been fixed by the Government of India for the All India Basic Plan on the basis of the average of the production plus net imports during the five years ending 1941-42. According to this, the requirements of the Madras Province work out to 4,962,000 tons of rice and 2,890,000 tons of millets in terms of cleaned grain and these requirements have been adopted in the statement. The production of foodgrains was very low in 1945-46 being only 6,368,000 tons of both rice and millets owing to inadequate rainfall in both the monsoon periods and the consequent failure of crops. The production in 1946-47 though higher than in 1945-46 was also low being 7,110,000 tons. During 1947-48 the season was generally poor except in parts of the Circars districts and the production e fell considerably to 6,480,000 tons. The deficit during these years was estimated at 1,484,000 tons in 1945-46, 742,000 tons in 1946-47 and 1,372,000 tons in 1947-48. Due to the succession of bad seasons the food scarcity in the Province became acute and in spite of imports of foodgrains from other Provinces and States and from overseas, the scales of ration had to be reduced considerably, sometimes to the level of eight ounces per adult per diem in the rationed areas.

CURRENT POSITION: The estimated production of rice and millets in the Province for 1948-49, is 4,296,000 tons and 2,319,000 tons respectively. In the current year, owing to late and inadequate rainfall during the sowing season and insufficiency of water supply in irrigation sources, there was a considerably fall in the acreage sown under paddy, especially in the non-deltaic districts. The condition of the paddy crop is expected to be fair only in the East Godavari, West Godavari, Krishna, Tirunelveli, Malabar and South Kanara districts and below the normal in all the other districts of the Province. The crop was severely affected due to insufficiency of rainfall and drought in Anantapur, Cuddapah, Chingleput, South Arcot, Chittoor, North Arcot, Salem and Tiruchirappalli districts and to a lesser extent in Nellore, Coimbatore, Tanjore, and Madura districts. There was also widespread attack by insect pests in Cuddapah, Chingleput, South Arcot, Chittoor, North Arcot, Salem, Tiruchirappalli, Tanjore and the Nilgiris districts, which c aused considerable damage to the crops and reduced yeilds. In parts of the Chingleput and South Arcot districts, the paddy crop is reported to have withered. The production of rice for the whole Province for the year 1948-49 is estimated at only 4,296,000 tons. The production of millets is also expected to be considerably reduced this year. The Provincial deficit according to the latest available figures is estimated at 666,000 tons of rice and 571,000 tons of millets or a total of 1,237,000 tons.

APPENDIX.

Statement comparing the production of rice and millets in the Madras Province with the estimated requirements according to the five years formula for the period 1943-44 to 1948-49.

Year.		Estimated production (in terms of cleaned grains)	Estimated requirements (according to 5 year formula)	Estimated surplus( ) or deficit ( )in the year.
-1-		-2-	-3-	-4-
		Tons	Tons	Tons
1943-44	Rice	4,932,000	4,962,000	- 30,000
	Millets	2,691,000	2,890,000	- 1,99,000
Total	foodgrains	7,623,000	7,852,000	- 2,29,000
1944-45				
	Rice	5,054,000	4,962,000	92,000
	Millets	2,674,000	2,890,000	- 2,16,000
Total	foodgrains	7,728,000	7,852,000	- 1,24,000
1945-46				
	Rice	4,241,000	4,962,000	- 7,21,000
	Millets	2,127,000	2,890,000	- 7,63,000
Total	foodgrains	6,368,000	7,852,000	-14,84,000
1946-47				
	Rice	4,919,000	4,962,000	- 43,000
	Millets	2,191,000	2,890,000	- 6,99,000
Total	foodgrains	7,110,000	7,852,000	- 7,42,000
1947-48				
	Rice	4,330,000	4,962,000	- 6,32,000
	Millets	2,150,000	2,890,000	- 7,40,000
Total	foodgrains	6,480,000	7,852,000	-1,372,000
1948-49 (estimates)				
	Rice	4,296,000	4,962,000	- 666,000
	Millets	2,319,000	2,890,000	- 571,000
Total	foodgrains	6,615,000	7,852,000	-1,237,000

The file relates to the visit of the Members of the Mission from the International Bank for reconstruction and development to Madras. A clean copy of the notes on the general food situation in this provide and other subjects prepared by this Department is put up at (W). A copy of the notes has already been circulated to H.M.(Food)

The case is submitted for Secretary's use at the Conference with the members to be held at 4 P.M. on 15-2-1949.

A.S.

The papers may be recorded as G.O.Ms.No.181, dated 19-2-1949.

Intd. x x
18/2/49.

GOVERNMENT OF MADRAS.
Abstract.

MISSION FROM INTERNATIONAL BANK FOR THE RE-CONSTRUCTION AND DEVELOPMENT - Visit to Madras on 15-2-1949 - Papers - Recorded.

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FOOD DEPARTMENT.

G.O.Ms.No.181. Dated the 19th February 1949.

ORDER:

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Secretary to Government.

(True copy)

Superintendent.

KRVD.1.8. MADRAS RECORD OFFICE.

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